

## INTERIM RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the “Group”) for the six months ended 30th June 1999 together with comparative figures for the corresponding period last year as follows:

|   | <b>Six months ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>30th June</b>        |                    |
|   | <b>1999</b>             | <b>1998</b>        |
|   | <i>HK\$'000</i>         | <i>HK\$'000</i>    |
| Turnover ( <i>Note 1</i> )                                | <b><u>430,786</u></b>   | <u>480,607</u>     |
| Operating profit/(loss) ( <i>Note 2</i> )                 | <b>37,876</b>           | (37,585)           |
| Share of profits less losses of<br>associated companies   | <b>10,489</b>           | 7,861              |
| jointly controlled entities                               | <b>(1,058)</b>          | 968                |
|   | <b><u>9,431</u></b>     | <u>8,829</u>       |
| Profit/(loss) before taxation                             | <b>47,307</b>           | (28,756)           |
| Taxation ( <i>Note 3</i> )                                |                         |                    |
| Share of taxation attributable to<br>associated companies | <b>1,363</b>            | 1,906              |
| jointly controlled entities                               | <b>204</b>              | 134                |
| Hong Kong   | –                       | (238)              |
| Outside Hong Kong   | <b>2,912</b>            | 2,625              |
|   | <b><u>4,479</u></b>     | <u>4,427</u>       |
| Profit/(loss) after taxation                              | <b>42,828</b>           | (33,183)           |
| Minority interests  | <b>(11,700)</b>         | (11,546)           |
| Profit/(loss) attributable to shareholders                | <b>31,128</b>           | (44,729)           |
| Retained profits brought forward                          | <b>10,106</b>           | 153,136            |
| Retained profits carried forward                          | <b><u>41,234</u></b>    | <u>108,407</u>     |
| Earnings/(loss) per share ( <i>Note 4</i> )               | <b><u>3.0 Cents</u></b> | <u>(4.4 Cents)</u> |

*Notes to the accounts:*

1. Turnover represents the aggregate of gross interest income, dividend income, gross rental income, gross proceeds from share dealings, operating income from the provision of container transportation and storage services and sale of children's products, and consultancy services income. Intra-group transactions have been eliminated.

2. **Operating profit/(loss)**

Operating profit/(loss) is stated after crediting and charging the following:

|   | <b>Six months ended<br/>30th June</b> |                 |
|---|---------------------------------------|-----------------|
|   | <b>1999</b>                           | <b>1998</b>     |
|   | <b>HK\$'000</b>                       | <b>HK\$'000</b> |
| Crediting:-   |                                       |                 |
| Provision for doubtful debt written back                          | 5,778                                 | -               |
| Charging:-  |                                       |                 |
| Provision for diminution in value of<br>long-term investments     | -                                     | 32,148          |
| Provision for loan to China Venturetech<br>Investment Corporation | -                                     | 21,762          |

3. No provision for Hong Kong profits tax has been made for the period, since the Group has available tax losses to set off current year's profits (1998: Nil). Provision for income tax outside Hong Kong has been calculated according to the tax rates applicable in the relevant jurisdictions.
4. The calculation of earnings/(loss) per share is based on the profit attributable to shareholders for the period of HK\$31,128,300 (1998: loss of HK\$44,729,100) and 1,027,738,205 shares (1998: 1,027,738,205 shares) in issue during the period.

Diluted earnings/(loss) per share is not presented as the exercise prices of the Company's outstanding share options and warrants are much higher than the fair value per share throughout both periods.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend (1998: Nil).

## **OPERATION REVIEW**

The 1999 interim profit attributable to shareholders is HK\$31.1 million which, when compared to 1998 interim loss of HK\$44.7 million, reflects a significant turnaround situation resulting from the improvement in general market conditions and enhancement in management efficiency and hence profitability of the investee companies.

### **Child Products**

Goodbaby Child Products Co Ltd (“Goodbaby”) had a record year despite the deflationary economy in China through increasing export sales and improving production efficiency. Performance of Goodbaby Paragon Hygienic Products Co Ltd (“Paragon”) was not satisfactory due to keen market competition and low productivity. The turnover and operating results of RBI Holdings Limited slightly decreased in the first half year of 1999 due to the change in buying pattern of customers.

### **Container Transportation**

The results of Shanghai Zhong Chuang International Container Storage & Transportation Co Ltd has turnaround this year due to improvement in management control and service quality.

### **Automobile**

Despite an overall depression in the motor vehicle industry in China, Shaoxing Betung Instrument Co Ltd still managed to maintain its sales volume and profit similar to that of previous year.

### **Financial Services**

Over the past six months, the recovery in stock market and development of a more open Chinese economy provided room for expansion for First Shanghai Capital Ltd (“FS Capital”). Performance of its corporate finance and securities dealing business was encouraging.

### **China Assets (Holdings) Ltd (“China Assets”)**

The investments of China Assets were performed in line with general market situations. A net profit of US\$2.1 million was recorded for the six months ended 30th June 1999 compared with a net loss of US\$1.3 million for the same period last year.

### **PROSPECTS**

The Group has been adopting a prudent yet proactive business strategy in developing and strengthening its core businesses. Goodbaby planned to further expand its production capacity to cater for export demand. Paragon was dedicated to strengthening its operating efficiency and a new marketing campaign will be launched in the second half of 1999.

FS Capital started its stockbroking business on 15th September 1999 and the internet stockbroking service is expected to be launched in November 1999. Together with the existing corporate finance operations FS Capital can offer a complete financial service to clients. In July 1999 the Group approved the acquisition of 50.7% equity interest in Genius Technology International Ltd (“Genius”) at a total consideration of approximately HK\$14 million. Genius is engaged in the provision of financial information service and internet stockbroking platform in the PRC.

After completion of the placement of 80 million new shares of the Company, the gearing ratio of the Group was further reduced to 10%. With the Group's solid financial position and management commitment, the Board will continue to manage its business along prudent lines while exploring for opportunities to broaden its business which will include the information technology sector in the PRC.

#### **DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 30th June 1999, the beneficial interests of the directors and their associates in the shares of the Company or any of its associated corporations as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:–

| <u>Name of Directors</u> | <b>Number of ordinary shares<br/>in the Company</b> |               |                  |
|--------------------------|---|---------------|------------------|
|                          | <u>Personal</u>                                     | <u>Family</u> | <u>Corporate</u> |
| Mr Lao Yuan-Yi           | 972,000   | –             | –                |
| Mr Hu Yi-Ming            | 920,000   | –             | –                |
| Prof. Woo Chia-Wei       | –   | 72,000        | –                |

Saved as disclosed above, none of the directors and their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th June 1999.

#### **DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

As at 30th June 1999, the following directors of the Company held the following share options of the Company as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

| <u>Name of Directors</u> | <u>Date granted</u>                    | <b>Number of ordinary<br/>shares granted<br/>under the option</b> |
|--------------------------|--|---|
| Mr Lao Yuan-Yi           | 26th September 1995 -<br>8th July 1998 | 24,698,000  |
| Mr Chow Fu-Kee, Felix    | 26th January 1995 -<br>11th July 1996  | 9,148,800   |
| Mr Yeung Wai-Kin         | 26th September 1995 -<br>8th July 1998 | 13,895,864  |
| Mr Xin Shulin            | 26th September 1995 -<br>8th July 1998 | 12,337,620  |
| Mr Hu Yi-Ming            | 26th September 1995 -<br>8th July 1998 | 3,300,000   |

These represent the options granted in previous years which have not been exercised as at the period end date, and are exercisable at HK\$0.283 to HK\$0.816 per share with expiry dates between 7th October 2005 and 15th July 2008.

Save as disclosed above, none of the directors as at 30th June 1999 had any interest in securities of the Company or any of its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or which was required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

#### **SUBSTANTIAL SHAREHOLDERS**

As at 30th June 1999, the following parties had or were deemed to have interests in the equity securities of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance:–

|   | <b><u>Number of ordinary<br/>shares in the Company</u></b> |
|---|--|
| International Enterprises Investment<br>Company Limited (“IEI”) | 213,033,850  |
| China Assets (Holdings) Limited (“China Assets”)                | 206,296,000  |

IEI is a Hong Kong company owned equally by two Chinese Mainland companies, China Venturetech Investment Corporation and Shenyin & Wanguo Securities Co., Ltd.

The Group conversely holds 25,162,866 shares of China Assets, representing 33.82% interests in its issued share capital. Hence, China Assets has also been an associated company of the Group.

Apart from the above, so far as the directors are aware, there are no parties which were, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company as at 30th June 1999.

#### **ISSUE OF SHARES**

Pursuant to a placing and subscription agreement dated 15th July 1999, China Assets, the major shareholder of the Company, placed 80,000,000 shares of HK\$0.20 each in the share capital of the Company at a price of HK\$0.82 per share to independent investors and subscribed for the same number of new shares of the Company at the same price. Details of this placing and subscription are set out in the announcement made by the Company dated 15th July 1999.

## **YEAR 2000 COMPLIANCE**

The Group fully realizes that certain computer software and hardware in use might not function effectively in Year 2000. Systems which use only two digits to identify the year may fail to differentiate between Year 1900 and Year 2000.

The Board has researched the potential risk to the Group's own business as well as outsiders, and has taken appropriate remedial action to preclude any potential influence of the above problem; for which a designated team with top management and computer specialists has been addressing this issue.

The Group's major business information systems and related computing equipment have undergone extensive upgrades and all of which is now Year 2000 compliant. In terms of percentage, 100% of the computer software and hardware used by the Group that could develop the Year 2000 computer problem have either already been upgraded or replaced. The Board therefore believes that there will not have any significant adverse effect on the operations of the Group.

As at 30th June 1999, no material cost has been incurred in relation to the resolution of the Year 2000 Problem, and the Board believes that any such costs of rectification will not have a significant impact on the Group's financial position, operating results or cash flow.

As the EDP Department is capable of implementing most of the tasks for systems upgrades, the Group only requires minimal external resources. Thus, except for the maintenance of accounting and installation of a new stockbroking system agreements, the Group has not entered into any agreement or made any external commitment with any software company for this issue.

Based on our revaluation, the Company does not anticipate any threat to the continuity of its operations. Nevertheless contingency plans, in relation to the computerized accounting and stockbroking systems, have been developed to allow the Group to continue operating in the event of unforeseen disruptions to the operations.

## **DEALINGS IN THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its securities listed on the Stock Exchange during the six months ended 30th June 1999.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the period.

By Order of the Board  
**LAO Yuan-Yi**  
*Managing Director*

Hong Kong, 23rd September 1999

**Board Of Directors**

CHAIRMAN &amp; MANAGING DIRECTOR

Mr Lao Yuan Yi

## DIRECTORS

Mr Jiang Guo Fang

Mr Lu Wen Qing

Prof. Woo Chia Wei

Mr Kwok Lam Kwong, Larry

Mr Xu Wei Ming

Mr Xin Shulin, Steve

Mr Yeung Wai Kin

Mr Hu Yi Ming

Mr Chow Fu Kee, Felix (Alternate Director to Mr Lao Yuan Yi)

**Company Secretary**

Mr Yeung Wai Kin

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**Auditors**

PricewaterhouseCoopers

Certified Public Accountants, Hong Kong

**Solicitors**

Richards Butler

T.H. Koo &amp; Associates

**Principal Bankers**

The Kwangtung Provincial Bank

Citic Ka Wah Bank Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

**Registrars & Transfer Office**

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